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STATE FOR OES (DAUGHERTY), L/OES (BURTON), EUR/NCE (FICHTE)

E.O. 12958: N/A

TAGS: [KTIA](#) [KSCA](#) [PREL](#) [EZ](#)

SUBJECT: U.S.-CZECH S&T AGREEMENT: TIME TO COME TO CLOSURE
ON TAX LANGUAGE

¶1. This is an action request, see para 4.

¶2. The U.S. and the Czech Republic have been negotiating a new Science and Technology Agreement since 2003. The sole unresolved issue is language covering taxation of assistance funds. EU regulations do not permit the Czechs to conclude an agreement that waives taxes on assistance. However, the Czech government states that it will not use its own assistance funds on scientific cooperation with the U.S., and adds that it believes the U.S. is not using American assistance funds to cover scientific activities in the Czech Republic. Therefore, Prague would like to sign an agreement that specifically excludes projects that use assistance funds, but would cover all other forms of cooperation. The agreement proposed by the Czechs would not contain any language guaranteeing the waiving or reimbursement of taxation of assistance funds. If projects using American assistance funds were to be proposed at a later date, the Czechs have indicated a willingness to discuss ad hoc mechanisms to deal with the issue of taxation.

¶3. Embassy Prague believes the Czech proposal is the most practical and expedient way to move the agreement to conclusion. We believe no U.S. institutions are currently carrying out scientific activities in the Czech Republic that rely on U.S. assistance funds. We have directly contacted a number of agencies, including the National Science Foundation, the National Institute of Health, the Environmental Protection Agency, and NASA. USAID closed its office in the Czech Republic in 1997. SEED funds were last obligated in 2004.

¶4. It is time to bring this agreement to closure. Embassy requests Department approval to notify the Czech side that the USG is prepared to conclude the agreement in a manner that does not include projects funded with government assistance, using language similar to what was agreed to in the 2005 S & T Agreement with Poland:

"The Parties do not foresee the provision of foreign assistance under this agreement. If they decide otherwise, with respect to a particular activity, the relevant implementing arrangement would need to be consistent with the requirements of laws of the United States and the Czech Republic that regulate activities related to foreign assistance."

GRABER